

DATE 01/21/13

HB 2

**Agency Budget Comparison**

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	52.00	52.00	56.50	56.50	52.00	56.50	4.50	8.65%
Personal Services	2,934,154	3,330,923	3,906,085	3,906,222	6,265,077	7,812,307	1,547,230	24.70%
Operating Expenses	3,753,374	6,998,401	7,059,324	7,227,876	10,751,775	14,287,200	3,535,425	32.88%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	10,039,832	17,837,755	19,304,505	17,926,870	27,877,587	37,231,375	9,353,788	33.55%
Benefits & Claims	183,921	0	358,921	358,921	183,921	717,842	533,921	290.30%
<b>Total Costs</b>	<b>\$16,911,281</b>	<b>\$28,167,079</b>	<b>\$30,628,835</b>	<b>\$29,419,889</b>	<b>\$45,078,360</b>	<b>\$60,048,724</b>	<b>\$14,970,364</b>	<b>33.21%</b>
General Fund	3,166,889	3,204,433	6,859,281	5,859,717	6,371,322	12,718,998	6,347,676	99.63%
State Special	3,556,214	8,193,567	6,162,775	5,735,329	11,749,781	11,898,104	148,323	1.26%
Federal Special	10,188,178	16,769,079	17,606,779	17,824,843	26,957,257	35,431,622	8,474,365	31.44%
<b>Total Funds</b>	<b>\$16,911,281</b>	<b>\$28,167,079</b>	<b>\$30,628,835</b>	<b>\$29,419,889</b>	<b>\$45,078,360</b>	<b>\$60,048,724</b>	<b>\$14,970,364</b>	<b>33.21%</b>

**Agency Description**

Agency Mission: The Department of Commerce through its employees, community partners, public outreach, and media contacts enhances economic prosperity in Montana; fosters community lead diversification and sustainability of a growing economy; maintains and improves our infrastructure, housing and facilities; and promotes and enhances Montana's positive national and international image. The Department of Commerce will enhance and sustain a healthy economy so Montana businesses, communities, and people can prosper.

For additional information please refer to the agency profile.

**Agency Highlights**

Department of Commerce Major Budget Highlights	
<ul style="list-style-type: none"> <li>◆ The overall budget increases 33.2%, or \$15.0 million including \$6.3 million in general fund. Increased general fund is due to a new proposal requesting additional funding for economic development grants and for continued funding of programs that had been funded as one-time-only in previous biennia: <ul style="list-style-type: none"> <li>○ Indian county economic development</li> <li>○ Main Street Program</li> <li>○ Primary business sector training</li> </ul> </li> <li>◆ Federal grant funding requests increase \$8.5 million including: <ul style="list-style-type: none"> <li>○ Community Development Block Grants</li> <li>○ Emergency Home Loan Program</li> <li>○ Home grants</li> <li>○ Board of Housing Foreclosure Mitigation</li> </ul> </li> </ul>	
Legislative Action Issues	
<ul style="list-style-type: none"> <li>◆ Ongoing programs continue to be designated as one-time-only</li> <li>◆ Statutory appropriations for research and development are appropriated twice</li> </ul>	



### Agency Discussion

In FY 2012 the agency expended \$150.4 million, of which \$16.9 million or 11.2% was included as part of HB 2 appropriations as shown in the agency budget comparison. Figure 1 shows the expenditures and funding sources including statutory appropriations and non-budgeted proprietary funds, in FY 2012 for the agency.

**Figure 2**

Approximately \$70 million or 50% of the funding was spent in FY 2012 on benefits and claims, grants, and local assistance. Benefits and claims includes:

- \$16.5 million in Section 8 housing vouchers
- \$18.9 million in Section 8 project claims

Grants include support for:

- \$1.6 million in Coal Board project grants
- \$3.0 million in community development block grant projects
- \$0.8 million in Treasure State Endowment projects
- \$3.1 million in neighborhood stabilization projects
- \$5.8 million in housing project grants
- \$4.4 million for quality school projects
- \$0.3 million in hard rock mining grants
- \$0.7 million for tribal economic development
- \$0.2 million for new worker training

\$5.0 million in local assistance was provided to support regional and local tourism and marketing efforts.

Department of Commerce FY 2012		
Budget Item	FY 2012	% of Total
Expenditures		
Personal Services	\$12,711,185	8.45%
Operating Expenses	38,009,802	25.28%
Equipment	74,008	0.05%
Local Assistance	5,031,750	3.35%
Grants	24,129,097	16.05%
Benefits and Claims*	37,838,153	25.16%
Transfers Out	1,416,419	0.94%
Bonds	30,919,526	20.56%
Other Post Employment Benefits	251,837	0.17%
Total Expenditures	<u>\$150,381,777</u>	100.00%
Funding		
General Fund	\$6,374,270	4.24%
State Special Revenue	35,341,257	23.50%
Federal Special Revenue	24,220,504	16.11%
Long Range Building	201,927	0.13%
Proprietary	84,243,819	56.02%
Total Funding	<u>\$150,381,777</u>	100.00%

\*Excluding STIP distributions and disbursements

### Agency Personal Services

The personal services budget for the 2015 biennium increases due to :

- An overall vacancy savings rate of 5.7% compared to a budgeted 4% vacancy rate
- Annualization of broadband pay increases that were granted throughout FY 2012. The total annual cost of salaries from all funding sources, both HB 2 and non-budgeted proprietary funds, is about \$1.2 million. The agency moved employees to the minimum of their salary range after review and amendment of the position salary ranges for individuals in pay bands 2, 3, 4, 5, and 6. Employees in pay bands 7, 8, and 9 were granted a 7.5% adjustment as the agency was unable to afford to pay the minimum of the newly adopted salary ranges for the positions in these pay bands
- As of November 30, 2012 there were 8 positions that have been vacant for longer than six months, the majority of them student interns hired during the summer months

Department of Commerce indicates that about 9.8% of the employees are currently eligible for either early or full retirement. In FY 2012 the agency paid \$0.2 million in retirement and sick leave payouts that are not included as part of the 2015 biennium personal services funding.

### 5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

### IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining



- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

#### *Agency Goals and Objectives*

Goals and objectives for the agency can be found in the appendix.

#### **Funding**

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Commerce Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$12,718,998	\$0	\$9,500,000	\$22,218,998	8.8%
State Special Total	11,898,104	-	65,111,869	77,009,973	30.6%
Federal Special Total	35,431,622	-	2,140,402	37,572,024	14.9%
Proprietary Total	-	112,303,720	2,939,462	115,243,182	45.7%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$60,048,724</u>	<u>\$112,303,720</u>	<u>\$79,691,733</u>	<u>\$252,044,177</u>	
Percent - Total All Sources	23.8%	44.6%	31.6%		

Over 75% of the overall funding for the Department of Commerce is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as a statutory appropriation. Within HB 2, the Governor proposes restoring several programs that were funded with one-time-only general fund appropriations by the 2011 Legislature. Per state statute, one-time-only appropriations are excluded from the base expenditures for biennial budget projections. The Governor proposes restoring the programs as listed below:

- Primary Business Sector Training – OTO - \$2.0 million for the 2015 biennium
- Main Street – OTO - \$0.3 million for the 2015 biennium
- Tribal Economic Development – \$1.6 million for the 2015 biennium

General fund also supports the Census and Economic Information Center, Regional Development Bureau, trade and international relations activities, Entrepreneur Development Program /NxLevel, and the Made in Montana program; and provides match for the federal Community Development Block Grant. \$9.5 million of general fund is statutorily



appropriated for the Research and Commercialization Program. This is discussed as an issue in the program narrative for the Business Resources Division.

In addition, the newly elected Governor is proposing \$0.75 million in additional general fund to expand the existing Montana Small Business Innovation Research Program and the Small Business Technology Transfer Program. For further discussion see the program narrative for Business Resources Division. \$1.0 million of one-time-only funding for research grants to support biomedical research in Montana is another of changes proposed.

State special revenues support the Montana Promotion Division, the Microbusiness Loan Program, research and commercialization, the Treasure State Endowment Program, the Coal Board, the Hard Rock Mining Board, Distressed Wood Products Program, quality school project grants and the Montana Heritage Commission. The Montana Heritage Commission is funded with \$400,000 in lodging use facility taxes received each year, a portion of light vehicle registrations, and revenues generated by Virginia and Nevada cities as well as Reeder's Alley. The funding supports 12.00 FTE and the operational costs of operating the historic properties.

Federal special revenues include the Community Development Block Grant, Small Business Development Centers, and various programs for housing.

A significant portion of the funding for the agency is non-budgeted proprietary funding. Proprietary funds are discussed in detail in the narrative sections of each program.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,166,889	3,166,889	6,333,778	49.80%	16,911,281	16,911,281	33,822,562	55.71%
Statewide PL Adjustments	362,802	358,993	721,795	5.67%	738,472	685,937	1,424,409	2.33%
Other PL Adjustments	154,695	158,940	313,635	2.47%	9,804,933	9,648,522	19,453,455	32.40%
New Proposals	3,174,895	2,174,895	5,349,790	42.06%	3,174,149	2,174,149	5,348,298	8.91%
<b>Total Budget</b>	<b>\$6,859,281</b>	<b>\$5,859,717</b>	<b>\$12,718,998</b>		<b>\$30,628,835</b>	<b>\$29,419,889</b>	<b>\$60,048,724</b>	

The statewide present law adjustments provide for personal service adjustments including:

- Refunding vacancy savings, minus 4%
- Annualization of broadband pay plan increases
- Funding statutorily required increases for longevity

The adjustments also include increases for both fixed costs such as State Information Technology Services (SITSD), insurance and bonds, messenger services, SABHRS and HRIS fees, and warrant writing services and decreases for gasoline, statewide indirect costs and workers' compensation management fees.

Other present law adjustments include administrative and federal grant adjustments. New proposals include requests to restore one-time-only funding for the primary business sector training and tribal economic development.